



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 12/3/2004

GAIN Report Number: CH4067

China, Peoples Republic of

Cotton and Products

Cotton Update

2004

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Report Highlights:

This report contains highlights of recent information about China's cotton industry that Post has gleaned from various sources.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1]
[CH]

Production

A contact said the current Xinjiang crop was estimated at 1.7 MMT, which is lower than the 1.81 MMT for Xinjiang released by cncotton.com in October. A very senior cotton official recently estimated China's total production would be 6.3 MMT.

Consumption and Trade

The abovementioned senior cotton official also forecast China's cotton consumption growth rate to be at least 10 percent in the post textile quota era. He forecast imports will be about 1.8 MMT for MY04/05, which is higher than the 1.4 MMT as estimated by many other trade sources. His forecast is based on his analysis of domestic consumption growth and the availability of domestic cotton. Imports for the first three months of MY04/05 (Aug-Oct) reached 195,424 MT, up 130 percent compared to 84,958 MT in the same period in MY03/04.

Policy Issues

China's National Development and Reform Commission (NDRC) requested the State Cotton Reserve Corp to purchase a total of 300,000 MT of cotton (new crop) starting November 9, 2004, to replenish the reserve. The price ceiling is RMB11,500/MT (US\$1,391/MT) based on Grade 328. This target price, however, apparently was too low because, as of Nov 30, 2004, only 4,100 MT were bought at that price. Cotton prices dropped to below the cost of production in some provinces in the Yellow River regions, including Hebei and Shandong. According to a recent article in "Farmer's Daily," cotton generally is less profitable than grains this year.

The cotton tariff rate quota (TRQ) quantity remains the same in 2005 as in 2004 at 894,000 MT. The allocation principles remain the same -- 33 percent is reserved for state-owned enterprises. It is difficult to know currently how China's NDRC will adjust the TRQ in the coming months if the above consumption estimate becomes a reality.